

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS
RECEIVED
DEPT. OF TREASURY
SUPPLEMENTARY INFORMATION

✓ JUN - 2²⁰⁰⁴ Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Manistique	County Schoolcraft
Audit Date March 31, 2004	Opinion Date May 17, 2004	Date Accountant Report Submitted to State: May 17, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 17, 2004

To the Township Board
Township of Manistique
Schoolcraft County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Manistique, Schoolcraft County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Manistique's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Manistique, Schoolcraft County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Manistique, Schoolcraft County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS EXHIBIT A
March 31, 2004

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>
<u>Assets</u>				
Cash in bank	301 849 28	311 40	-	-
Taxes receivable	4 572 81	-	-	-
Land and improvements	-	-	89 285 00	-
Building and improvements	-	-	575 00	-
Equipment	-	-	6 791 00	-
Amount to be provided for retirement of general long-term debt	-	-	-	193 511 11
Total Assets	<u>306 422 09</u>	<u>311 40</u>	<u>96 651 00</u>	<u>193 511 11</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	181 79	-	-	-
Due to others	-	311 40	-	-
Contract payable	-	-	-	193 511 11
Total liabilities	<u>181 79</u>	<u>311 40</u>	<u>-</u>	<u>193 511 11</u>
Fund equity:				
Investment in general fixed assets	-	-	96 651 00	-
Unreserved:				
Undesignated	306 240 30	-	-	-
Total fund equity	<u>306 240 30</u>	<u>-</u>	<u>96 651 00</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>306 422 09</u>	<u>311 40</u>	<u>96 651 00</u>	<u>193 511 11</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

302 160 68

4 572 81

89 285 00

575 00

6 791 00

193 511 11

596 895 60

181 79

311 40

193 511 11

194 004 30

96 651 00

306 240 30

402 891 30

596 895 60

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	Total (Memorandum Only) Governmental Fund Type
	<u>General</u>
Revenues:	
Property tax	28 245 15
Swamp tax	38 834 59
State shared revenues	74 428 00
Charges for services – PTAF	6 713 40
Interest	6 168 68
Miscellaneous	<u>3 095 00</u>
Total revenues	<u>157 484 82</u>
Expenditures:	
Legislative:	
Township Board	11 767 32
General government:	
Supervisor	6 973 85
Elections	1 307 75
Assessor	9 567 20
Clerk	7 399 75
Treasurer	12 875 01
Township hall	7 541 49
Board of Review	867 98
Public safety:	
Fire protection	10 000 00
Liquor law enforcement	436 72
Culture and recreation:	
Parks	570 00
Public works:	
Highways and streets	65 768 81
Sanitation	9 551 85
Electrical inspection	428 00
Other:	
Insurance	3 645 00
Capital outlay	3 425 00
Debt service	<u>50 000 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	Total (Memorandum Only) <u>Governmental Fund Type</u>
	<u>General</u>
Total expenditures	<u>202 125 73</u>
Excess (deficiency) of revenues over expenditures	(44 640 91)
Fund balance, April 1	<u>350 881 21</u>
Fund Balance, March 31	<u><u>306 240 30</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property tax	35 768 00	28 245 15	(7 522 85)
Swamp tax	39 000 00	38 834 59	(165 41)
State shared revenue	75 800 00	74 428 00	(1 372 00)
Charges for services – PTAF	-	6 713 40	6 713 40
Interest	1 000 00	6 168 68	5 168 68
Miscellaneous	<u>8 280 00</u>	<u>3 095 00</u>	<u>(5 185 00)</u>
Total revenues	<u>159 848 00</u>	<u>157 484 82</u>	<u>(2 363 18)</u>
Expenditures:			
Legislative:			
Township Board	13 820 00	11 767 32	(2 052 68)
General government:			
Supervisor	7 155 00	6 973 85	(181 15)
Elections	4 000 00	1 307 75	(2 692 25)
Assessor	13 000 00	9 567 20	(3 432 80)
Clerk	9 000 00	7 399 75	(1 600 25)
Treasurer	13 500 00	12 875 01	(624 99)
Township hall	7 650 00	7 541 49	(108 51)
Board of Review	875 00	867 98	(7 02)
Public safety:			
Fire protection	11 500 00	10 000 00	(1 500 00)
Liquor law enforcement	1 400 00	436 72	(963 28)
Culture and recreation:			
Parks	18 700 00	570 00	(18 130 00)
Public works:			
Highways and streets	70 000 00	65 768 81	(4 231 19)
Sanitation	10 000 00	9 551 85	(448 15)
Electrical inspection	1 000 00	428 00	(572 00)
Other:			
Insurance	3 500 00	3 645 00	145 00
Capital outlay	3 500 00	3 425 00	(75 00)
Debt service	<u>50 000 00</u>	<u>50 000 00</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C

Page 2

	<u>General Fund</u>		<u>Over (Under) Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Total expenditures	<u>238 600 00</u>	<u>202 125 73</u>	<u>(36 474 27)</u>
Excess (deficiency) of revenues over expenditures	(78 752 00)	(44 640 91)	34 111 09
Fund balance, April 1	<u>108 752 00</u>	<u>350 881 21</u>	<u>242 129 21</u>
Fund Balance, March 31	<u>30 000 00</u>	<u>306 240 30</u>	<u>276 240 30</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Manistique, Schoolcraft County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Manistique. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

This fund is used to account for assets held as an agent for others.

General Fixed Assets Group of Accounts

The General Fixed Assets Group of Accounts is used to record the fixed assets of the local unit.

General Long-Term Debt Group of Accounts

The General Long-Term Debt Group of Accounts is used to record the long-term debt of the local unit.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 1.1139 mills, and the taxable value was \$25,363,714.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>302 160 68</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>103 363 98</u>
Total Deposits	<u>303 363 98</u>

The Township of Manistique did not have any investments as of March 31, 2004.

Note 3 – General Fixed Assets

A summary of the changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	85 860 00	3 425 00	-	89 285 00
Buildings and improvements	575 00	-	-	575 00
Equipment	<u>6 791 00</u>	<u>-</u>	<u>-</u>	<u>6 791 00</u>
Totals	<u>93 226 00</u>	<u>3 425 00</u>	<u>-</u>	<u>96 651 00</u>

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – General Long-Term Debt

A summary of the changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Contract Payable-Road Commission	<u>134 476 92</u>	<u>109 034 19</u>	<u>50 000 00</u>	<u>193 511 11</u>

Note 5 – Contract Payable – Road Commission

The Township obtained a contract from Schoolcraft County Road Commission for the purpose of road work. The Township is making annual payments of \$50,000.00, as of March 31, 2004, the outstanding balance of the contract was \$193,511.11, and it is recorded in the General Long-Term Debt Account Group.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Retirement Plan

The Township has a defined contribution pension plan that covers all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. The Township's total contribution to the plan for the fiscal year ended March 31, 2004, was \$4,217.76.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Manistique does not issue building permits. Building permits are issued by the County of Schoolcraft.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 10 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Salaries	3 015 84
Payroll taxes	1 278 07
Miscellaneous	816 79
Retirement	4 217 76
Dues	2 438 86
	<u>11 767 32</u>
Supervisor:	
Salary	6 621 96
Expenses	351 89
	<u>6 973 85</u>
Elections:	
Wages	1 176 00
Supplies	131 75
	<u>1 307 75</u>
Assessor:	
Salary	8 851 08
Expenses	716 12
	<u>9 567 20</u>
Clerk:	
Salary	6 947 16
Expenses	452 59
	<u>7 399 75</u>
Treasurer:	
Salary	6 947 16
Expenses	5 927 85
	<u>12 875 01</u>
Township hall:	
Telephone	534 22
Utilities	1 058 30
Maintenance and repairs	5 521 14
Supplies	427 83
	<u>7 541 49</u>
Board of Review:	
Salaries	858 00
Supplies	9 98
	<u>867 98</u>
Fire protection:	
Contracted services	10 000 00
	<u>10 000 00</u>
Liquor law enforcement:	
Wages	436 72
	<u>436 72</u>

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Culture and recreation:	
Parks	<u>570 00</u>
Highways and streets:	
Construction	63 856 07
Street lighting	<u>1 912 74</u>
	<u>65 768 81</u>
Sanitation:	
Contracted services	<u>9 551 85</u>
Electrical inspection:	
Wages	<u>428 00</u>
Insurance	<u>3 645 00</u>
Capital outlay	<u>3 425 00</u>
Debt service	<u>50 000 00</u>
Total Expenditures	<u><u>202 125 73</u></u>

TOWNSHIP OF MANISTIQUE
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>7 359 54</u>	<u>624 614 74</u>	<u>631 662 88</u>	<u>311 40</u>
Total Assets	<u>7 359 54</u>	<u>624 614 74</u>	<u>631 662 88</u>	<u>311 40</u>
<u>Liabilities</u>				
Due to other funds	7 359 54	30 302 50	37 662 04	-
Due to others	<u>-</u>	<u>594 312 24</u>	<u>594 000 84</u>	<u>311 40</u>
Total Liabilities	<u>7 359 54</u>	<u>624 614 74</u>	<u>631 662 88</u>	<u>311 40</u>

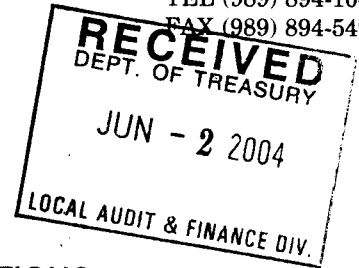
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 17, 2004

To the Township Board
Township of Manistique
Schoolcraft County, Michigan

We have audited the financial statements of the Township of Manistique, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Manistique in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Manistique
Schoolcraft County, Michigan

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Manistique
Schoolcraft County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Manistique will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants